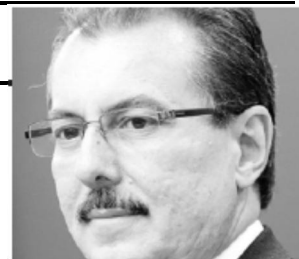


EXHIBIT 2

Columns

GUEST COLUMN

By Juan Zaragoza



Wednesday, August 29, 2018

29

The hefty tome on the debt

The much awaited 600-plus page tome on the study of the debt commissioned by the Oversight Board is finally out. Well, not that much awaited really, because, knowing where it's coming from, we all knew it would be far from the much needed audit of the debt. My initial reaction upon seeing it was fear that they would get paid for it per page and not content.

I must confess that I was one of many people who were interviewed by a couple of foreign, young lawyers who were well-meaning but did not have sufficient cunning to face the complicated plot of the story of a crime against a country, where despite the hundreds of bloodied people on the scene of the crime, there is no culprit. I can picture them listening to the versions of politicians alleging their innocence and blaming their successor and of professionals who passed through agencies and corporations and did not hear or see anything strange.

Reading the tome in installments (because no one could tackle it in one go), we are confronted with conclusions and comments that are so vague that they could only be the result of one of two things: the lack of cunning to unravel the scene of the crime or the attorneys' survival instinct that forced them to conclude that they could not conclude anything or point fingers at anyone.

A perfect example of this is concluding that they found no evidence that government officials ever thought that their interpretation of the constitutional limitation applicable to the issuance of debt was incorrect. But, what did they expect? A legal memorandum recommending finding a way around the Constitution? From creating public corporations to issue their own debt to excluding the debts that the Commonwealth guarantees (but of which it is not the original issuer)

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from the calculation of constitutional debt, this limitation has historically been given a liberal interpretation. Beyond a correctly or incorrectly interpreted formula, the issue here is whether the people who managed the country's finances knew that, with every debt that was issued, we were inching closer and closer to the abyss of default.

We need only look at how debt issuances were used for payroll and other operating expenses to realize that it was necessary to move beyond the Constitution and follow the universal principle of good government.

As to the Government Development Bank, the evidence supports a complicated story: top-notch officials who, conflicted between their roles as fiscal agents and lenders, chose the latter, mainly due to the political influence of members of the Oversight Board and "trust" employees appointed by the Office of the Governor. The report describes how the Government Development Bank strayed from their *raison d'être*, transforming from an instrument of development into a financier of bad administrative practices.

There are so many "conclusions" that I am forced to choose one last one to finish up (although I promise to continue in another column): the absolution in view of the lack of clear evidence that the credit rating agencies ever thought that their ratings of our issuances were inflated. Once again, what did they expect? A memorandum admitting that the triple tax exemption of our debt acted as the redeeming quality that trumped the increasingly clear signs that the jig was almost up? In other words, the exemption put lipstick on a pig (the debt) and turned it into a stuffed toy.

The report is far from an audit of the debt; but, without assigning blame due to a lack of evidence, it validates what many of us have been saying for a long time, that its magnitude is the result of an irresponsible management of public finances.

While I finish reading the tome, I would just like for some brave soul to come out and tell this investigation firm that we found no robust evidence that would permit us to pay their bill.

Other columns by Juan Zaragoza

Tuesday, July 24, 2018

The island of hallucination

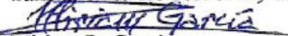
Former secretary of the Treasury Juan Zaragoza Gómez says that it is time for Puerto Rico to face the truth.

Wednesday, June 27, 2018

The rewards

The former secretary of the Treasury addresses the issue of political investment in a bankrupt island

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and the challenge of governing to benefit the entire country, not just the few.

Friday, June 1, 2018

The mystery of the repeal

Former secretary of the Treasury Juan Zaragoza objects to the proposed repeal of Public Law No. 80, a statute created to protect workers from wrongful termination.

 **See 29 comments**



MORE

About this columnist

Former secretary of the Department of the Treasury

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